

ORIGINAL

# NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

2009 MAY 29 P 2:10

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KRISTIN K. MAYES  
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PAUL NEWMAN  
Commissioner

SANDRA D. KENNEDY  
Commissioner

BOB STUMP  
Commissioner

IN THE MATTER OF THE JOINT )  
APPLICATION OF VERIZON CALIFORNIA, )  
INC., VERIZON LONG DISTANCE, LLC )  
VERIZON ENTERPRISES SOLUTIONS, LLC, )  
FRONTIER COMMUNICATIONS )  
CORPORATION, NEW COMMUNICATIONS )  
OF THE SOUTHWEST INC., AND NEW )  
COMMUNICATIONS ONLINE AND LONG )  
DISTANCE, INC. FOR APPROVAL OF THE )  
TRANSFER OF VERIZON'S LOCAL )  
EXCHANGE AND LONG DISTANCE )  
BUSINESS )

DOCKET NOS.

T-01846B-09-0274  
T-03289A-09-0274  
T-03198A-09-0274  
T-20679A-09-0274  
T-20680A-09-0274  
T-20681A-09-0274

This Joint Application ("Joint Application") is filed by Verizon California, Inc. ("Verizon California"), Verizon Long Distance, LLC ("VLD"), Verizon Enterprise Solutions, LLC ("VES"), Frontier Communications Corporation ("Frontier"),<sup>1</sup> New Communications of the Southwest Inc. ("NewILEC") and New Communications Online and Long Distance, Inc. ("NewLD") for approval of the transfer of Verizon Communications Inc.'s ("Verizon") local exchange and long distance business in the territory served in Arizona by Verizon California to companies to be owned and controlled by Frontier and for such other approvals as may be deemed necessary to complete this transaction. This Joint Application is filed pursuant to A.R.S.

<sup>1</sup> Frontier Communications Corporation is not a public service corporation as defined in Article 15, Section 2 of the Arizona Constitution, and therefore, is not subject to the jurisdiction of the Arizona Corporation Commission. Frontier is a party to this application for the limited purpose of obtaining a waiver or approval of the transactions described herein, if required, under the Commission's Affiliated Interests Rules. R14-2-801 *et seq.*

1 § 40-281 *et seq.*, A.R.S. § 40-285, AAC R14-2-801 *et seq.* ("Affiliated Interests Rules"), AAC  
2 R14-2-1105, and any other Commission rules and statutes that may be applicable. In addition,  
3 the parties seek a waiver of the Commission's Slamming Rules (AAC R14-2-1901 *et seq.*) to  
4 allow for the transfer of long distance customers as part of the transaction described in this Joint  
5 Application.

6 As discussed in greater detail below, the essence of the transaction as it relates to Arizona  
7 is that Verizon California's incumbent local exchange carrier (ILEC) operations will be  
8 transferred in their entirety to NewILEC, which will be ultimately controlled by Frontier.  
9 Likewise, certain long distance customers of VLD and VES in Arizona will be transferred to  
10 NewLD, which also will be ultimately controlled by Frontier. Upon closing, Frontier will own  
11 and control and its board of directors and management will manage both the Verizon assets  
12 transferred as part of this transaction as well as its current operations in Arizona. Upon  
13 completion of the transfer, NewILEC and NewLD will have the same tariffs and will offer  
14 substantially the same regulated retail and wholesale services under the same rates, terms, and  
15 conditions that exist today.

16 With this transaction, consumers in service areas to be acquired by Frontier will join  
17 consumers across Frontier's territories and become a key strategic focus of Frontier. Frontier is a  
18 wireline communications company dedicated primarily to serving rural and small urban areas,  
19 where it has a proven track record of success. This transaction will allow Frontier to build on that  
20 success over much broader areas and generate substantial public interest benefits.

21 The proposed transaction will promote broadband deployment and investment in the rural  
22 areas to be acquired in Arizona. Frontier has a strong record of deploying broadband in the  
23 communities it serves. Indeed, increasing broadband availability in the rural portions of its new  
24 footprint will be a business imperative for Frontier in order to retain customers and to reduce the  
25 access line loss Verizon has recently been experiencing in these areas. Frontier will also bring to  
26 these communities its innovative customer service programs, such as its program to assist new

1 subscribers for broadband services by sending a technician to a customer's home to set up service  
2 and ensure that consumers are comfortable navigating and using high-speed services in the home.  
3 Frontier believes that through a combination of investment and high-quality customer service, the  
4 proposed transaction will make Frontier a stronger and more focused service provider to the  
5 benefit of consumers in the areas it serves.

6 Just as significantly, the transaction will provide Frontier with a stronger financial  
7 structure and will not result in any competitive harm. None of the local exchanges being acquired  
8 by Frontier from Verizon overlap with any of the local exchanges already served by Frontier, and  
9 Frontier and Verizon do not currently compete for customers in any of the affected exchanges.  
10 As a result, the transaction will not reduce the number of competitors in Arizona. Moreover, this  
11 transaction will be seamless for retail and wholesale customers. On the retail side, Frontier will  
12 honor existing tariffs and contracts. As to wholesale customers, Frontier will assume or honor all  
13 obligations under Verizon's current interconnection agreements, tariffs, and other existing  
14 arrangements.

15 Further, because Frontier will not need to convert billing and other operational systems at  
16 or before closing, the transaction will be seamless to customers. Frontier will use the same  
17 support systems Verizon uses today to serve its customers, and these systems will be transferred  
18 to Frontier. In short, the transaction will be transparent to the affected Arizona customers, and  
19 after the transaction is complete these customers will be served by Frontier, which has extensive  
20 experience in such operations and a much larger presence in Arizona than Verizon.

## 21 **I. THE PARTIES AND THE TRANSACTION**

### 22 **A. THE PARTIES**

23 1. Frontier is a corporation organized under the laws of the state of Delaware and is  
24 a publicly traded holding company with its stock listed on the New York Stock Exchange under  
25 the symbol "FTR." Frontier is a full-service communications provider and is one of the largest  
26 rural local telephone exchange companies in the country. Frontier offers telephone, television

1 and Internet services, as well as bundled offerings, wireless Internet data access, data security  
2 solutions and specialized bundles for small/medium/large businesses and home offices to  
3 customers in 24 states. In 2008, Frontier's revenue was \$2.2 billion, with a net income of  
4 \$182.7 million.<sup>2</sup> Frontier has approximately 5,600 employees and serves a total of 2.8 million  
5 voice and broadband connections, including 2.3 million access lines.

6           2. Frontier does not conduct business directly in Arizona but owns and controls  
7 incumbent local exchange operations in 24 states, including Arizona. Frontier controls the  
8 following three incumbent local exchange carriers in Arizona: Citizens Utilities Rural Company,  
9 Inc., Citizens Telecommunications Company of the White Mountains, Inc. and Navajo  
10 Communications Company, Inc. In total, these three ILECs provide service to approximately  
11 145,000 access lines in Arizona. Frontier's subsidiary, Frontier of America, Inc., is a reseller of  
12 interexchange service in Arizona.

13           3. Verizon California holds a Certificate of Convenience and Necessity ("CCN") to  
14 provide local exchange services in Arizona. It provides service to six exchanges located in La  
15 Paz County: Cibola, Ehrenberg, Bouse, Parker, Parker Dam, and Poston. Verizon California has  
16 approximately 6,000 access lines in Arizona. Verizon California is an indirect, wholly owned  
17 subsidiary of Verizon.

18           4. VLD holds a CCN to provide competitive interLATA/intraLATA resold  
19 telecommunications (except local exchange services) in Arizona pursuant to Decision No. 61845.  
20 VLD is an indirect, wholly owned subsidiary of Verizon.

21  
22  
23  
24 <sup>2</sup> Frontier's most recent 10-K (filed February 27, 2009 for year ended December 31, 2008) and 10-Q (filed May 07,  
25 2009 for quarter ended March 31, 2009) filings with the Securities and Exchange Commission are available  
26 at: <http://www.sec.gov/Archives/edgar/data/20520/000002052009000009/form10k4q2008.txt>  
and <http://www.sec.gov/Archives/edgar/data/20520/000002052009000023/form10q1q09.txt>,  
respectively.

1           5.    VES holds a CCN to provide competitive interLATA/IntraLATA resold  
2 telecommunications (except local exchange services) in Arizona pursuant to Decision No. 61603.  
3 VES is an indirect, wholly owned subsidiary of Verizon.

4           6.    New Communications Holdings, Inc. ("NCH"), New Communications ILEC  
5 Holdings, Inc., ("NCIH"), which are not parties to this Joint Application, and NewILEC and  
6 NewLD, are Delaware corporations formed for the purposes of the series of internal  
7 reorganizations and transactions described in this Joint Application.

8    B.    THE TRANSACTION

9           7.    On May 13, 2009, Frontier, Verizon and NCH entered into an Agreement and  
10 Plan of Merger (the "Merger Agreement") under which Frontier, through a merger transaction,  
11 will acquire approximately 4.8 million access lines (and certain related assets) currently owned by  
12 subsidiaries of Verizon in Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina,  
13 Ohio, Oregon, South Carolina, Washington, Wisconsin and West Virginia as well as portions of  
14 California bordering Arizona, Nevada and Oregon. The Merger Agreement filed with the  
15 Securities and Exchange Commission ("SEC") is available for review online at  
16 <http://www.sec.gov/Archives/edgar/data/20520/000095015709000266/ex2-1.htm>. On the  
17 same date, Verizon and NCH entered into a Distribution Agreement. A copy of the Distribution  
18 Agreement filed with the SEC is available for review online  
19 at <http://www.sec.gov/Archives/edgar/data/20520/000095015709000266/ex10-1.htm>.

20           8.    The Merger Agreement and Distribution Agreement are designed to: (a)  
21 establish a separate entity (i.e., NCH) as the holding company for Verizon's local exchange, long  
22 distance and related business activities in the acquired areas as described above; (b) spin-off the  
23 stock of that new entity to Verizon shareholders; and then (c) immediately merge the new entity  
24 into Frontier.

25           9.    More specifically, the transaction will be completed through several steps:  
26

1 (i) NCH will serve as the holding company for the local exchange, long distance and  
2 related businesses in Arizona and the other affected states that are being transferred to  
3 Frontier. As noted above, NCH currently is a subsidiary of Verizon; after the transactions  
4 described below, it will be merged into Frontier. Frontier will be the surviving entity, and  
5 will then own and control the Verizon assets and operations being transferred to it through  
6 the proposed transaction.

7  
8 (ii) NCH has two newly formed subsidiaries: (a) NCIH, which will own the stock of  
9 NewILEC and the other operating ILECs in the acquired areas; and (b) NewLD, which  
10 will hold the accounts receivables and customer relationships related to the long distance  
11 operations (and other operations) in Arizona and the other affected states.

12  
13 (iii) Through a series of intra-corporate transfers, Verizon will transfer (or cause to be  
14 transferred) the stock of NewILEC to NCIH.<sup>3</sup> Similarly, VLD and VES will transfer their  
15 accounts receivables and customer relationships related to their long distance operations in  
16 Arizona and the other affected states to NewLD.

17  
18 (iv) The stock of NCH will then be distributed to Verizon shareholders – that is, NCH will  
19 be “spun off” from Verizon to Verizon’s shareholders so that NCH and Verizon will be  
20 separate corporations. Immediately following this spin-off, NCH will be merged into  
21 Frontier, and Frontier will be the surviving holding company, operating under its existing  
22 name and corporate structure, but also owning all of the stock of NCH’s subsidiaries,  
23 NCIH and NewLD. Once the merger is completed, NCH will cease to exist; thus, NCIH  
24

25  
26 <sup>3</sup> The assets and business to be transferred to NCIH (as well as the assets and business that are not being transferred)  
are more fully described in the Distribution Agreement between Verizon and NCH.

1 and NewLD will be direct subsidiaries of Frontier, and NewILEC will be an indirect  
2 subsidiary through NCIH.

3 10. Frontier will not acquire all of Verizon California's operations – it will acquire  
4 only Verizon California's operations in Arizona, Nevada, and those portions of California near  
5 the Arizona and Nevada borders. Accordingly, prior to the spin-off of NCH and its merger into  
6 Frontier, Verizon California will assign its assets, liabilities, and customer relationships relating  
7 to its ILEC operations in Arizona, Nevada, and only portions of California to NewILEC. Verizon  
8 California also will transfer the stock of NewILEC to NCIH through a series of intermediate  
9 transfers, such that NewILEC will become a direct, wholly owned subsidiary of NCIH and an  
10 indirect, wholly owned subsidiary of NCH. In this way, after the merger of NCH into Frontier,  
11 Frontier will be the parent of NewILEC. Also, after the merger, Verizon will continue to own  
12 Verizon California, which will continue to serve the territory in California that is excluded from  
13 the transaction. Exhibit 1 includes slides that describe the transaction as it relates to Arizona and  
14 other affected states and depict the corporate structure pre- and post-merger.

15 11. Immediately following the completion of the transaction, Verizon's end-user  
16 customers will continue to receive substantially the same services, service rates, and service terms  
17 and conditions as immediately prior to the transaction. NewILEC and NewLD will file new  
18 tariffs appropriate to adopt the rates, terms and conditions in the tariffs under which the Verizon  
19 companies have been operating in Arizona.

20 12. Upon completion of the transaction, the Commission will retain the same  
21 regulatory authority over NewILEC and NewLD for services offered that the Commission  
22 possesses prior to the consummation of the transaction.

23 13. NewILEC will assume Verizon California's wholesale obligations, including  
24 contracts, to Arizona wholesale customers and to other carriers.

25 14. NewILEC and NewLD will conduct business in Arizona in accordance with all  
26 applicable laws, rules and Commission orders. Upon completion of the Transaction, Frontier

1 may elect to change the names of NewILEC and NewLD; if so, it will make all necessary filings  
2 to accomplish the name changes.

3 15. No change of control will occur with respect to Frontier's existing operating  
4 entities in Arizona, including the existing Frontier ILECs in Arizona and Frontier of America,  
5 Inc., or with respect to any entity holding a controlling interest in them, because the control of  
6 these companies will remain with Frontier as today. These companies will not be affected by the  
7 transaction and will continue to operate as separate entities under their existing tariffs and  
8 Commission regulatory requirements immediately following the transaction.

9 16. At the completion of the transaction, Frontier will own and control and its board  
10 of directors and management will manage both the Verizon assets being transferred to it through  
11 the transaction at issue here, as well as its existing operations in Arizona. Specifically, in Arizona  
12 Frontier will own and control four incumbent local exchange companies in Arizona: Citizens  
13 Utilities Rural Company, Inc., Citizens Telecommunications Company of the White Mountains,  
14 Inc., Navajo Communications Company, Inc. and NewILEC.<sup>4</sup> In addition, Frontier will own and  
15 control two long distance companies operating in Arizona: Frontier of America, Inc. and NewLD.  
16 Frontier's pre- and post-transaction corporate structure is illustrated in Exhibit 1.

## 17 **II. APPROVAL UNDER A.R.S. § 40-285**

18 17. The parties request approval of the transaction under A.R.S. § 40-285.  
19 Specifically, A.R.S. § 40-285(A) provides in pertinent part that, "A public service corporation  
20 shall not sell, lease, assign, mortgage or otherwise dispose of or encumber the whole or any part  
21 of its . . . system . . . nor shall such corporation merge such system or any part thereof with any  
22 other public service corporation without first having secured from the commission an order

23 <sup>4</sup> Citizens Utilities Rural Company, Inc., Citizens Telecommunications Company of the White Mountains,  
24 Inc., Navajo Communications Company, Inc., and Frontier of America, Inc., will not be affected by the transaction  
25 described in this Joint Application, and therefore, have not been listed as parties to the application. However, in the  
26 event the Commission determines that each of these Frontier affiliates must obtain express approval of the transaction  
or a waiver under the Commission's Affiliated Interests Rules, then Frontier requests that the Commission grant such  
approval or waiver as part of the authorizations requested in this Joint Application.



1 authorizing it so to do." In addition, A.R.S. § 40-285(D) provides that "[a] public service  
2 corporation shall not purchase, acquire, take or hold any part of the capital stock of any other  
3 public service corporation organized or existing under that laws of this state without a permit  
4 from the commission." The Commission has approved transactions under this statute if they are  
5 in the public interest. For the reasons set forth below, the proposed transaction is clearly in the  
6 public interest, and the parties respectfully request that the Commission approve it.<sup>5</sup>

7 18. Frontier currently has approximately 2.3 million access lines in 24 states and is a  
8 leading and respected provider of telecommunications services to rural and small urban markets  
9 across the country. Frontier and its operating companies are dedicated to providing their  
10 customers high quality service at reasonable rates, and have a rich history in serving rural and  
11 smaller city service areas in Arizona and elsewhere.<sup>6</sup> To ensure that it places the customer first,  
12 Frontier has pursued a strategy of focusing on and enhancing its local presence in the  
13 communities in which it operates. With the proposed transaction, the residential and business  
14 consumers in the service areas it is acquiring from Verizon will become a key strategic focus for  
15 Frontier.

16 19. The proposed transaction will accelerate Frontier's growth, creating a much  
17 larger company with increased financial strength and flexibility. Frontier will be the fifth-largest  
18 ILEC in America, serving predominantly rural communities, and it will have 8.6 million voice  
19 and broadband connections, including more than 7 million access lines and \$6.5 billion in  
20 revenues. It will be the largest provider of voice, broadband and video services focused on rural  
21 to smaller city markets in the United States.

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22 <sup>5</sup> In 2000, the Commission approved a similar proposed transaction between Verizon California (then GTE  
23 California) and Citizens Utilities Rural Company, Inc. In 1999, the parties filed a joint application for the transfer of  
24 GTE California's assets and CCN to Citizens Utilities, and the Commission, in Decision No. 62648 (June 13, 2000),  
25 approved the application and held the transaction was in the public interest. (The Commission rescinded its decision  
after Citizens Utilities notified it that the transaction would not be completed.) This similar transaction also is in the  
public interest.

26 <sup>6</sup> In addition to serving rural areas, Frontier also has experience serving mid-size communities including Elk Grove,  
California, the South Metro of Minneapolis/St. Paul, Minnesota and Rochester, New York.

1           20. In Arizona, the Frontier operating companies have been serving customers for  
2 decades. These Frontier companies have a much larger presence in Arizona than Verizon  
3 California and, unlike the Verizon companies, are managed locally with a focus on each of their  
4 individual communities. Rapid changes in technology and customer preferences require equally  
5 rapid responses and execution strategies. To help it respond effectively to local markets, Frontier  
6 employs an Arizona Area General Manager located in Kingman, Arizona that has overall  
7 operational and customer service responsibility in Arizona, and several local general managers  
8 that have customer and service responsibilities in more concentrated local areas of Arizona.

9           21. One of Frontier's existing ILECs, Citizens Rural Utilities Company, Inc.,  
10 operates in the territory adjacent to (just north of) Verizon California's territory, and Frontier  
11 anticipates implementing this same local general manager system to manage the operational and  
12 customer service responsibilities in the areas Frontier is acquiring in Arizona.

13           22. Frontier also has a highly successful track record of acquiring, operating and  
14 investing in telecommunications properties nationally, including over 750,000 access lines it  
15 purchased from Verizon's predecessor between 1993 and 2000. And in more recent years,  
16 Frontier has successfully integrated other telecommunications companies, including Rochester  
17 Telephone in New York, Commonwealth Telephone Company in Pennsylvania and Global  
18 Valley Networks in California. In these transactions Frontier successfully integrated its  
19 operations and consolidated different operating systems, including five different billing systems.

20           23. As noted above, the transaction will be transparent to the current customers of  
21 Verizon California, VLD and VES in Arizona. Customers will receive substantially the same  
22 services post-merger that they received pre-merger, and at the same prices. No existing customer  
23 service will be discontinued or interrupted as a result of the transaction. And Frontier will use the  
24 same operational systems that Verizon uses today to provide service. At closing, Frontier will  
25 have full control over these systems. Also, Verizon will continue to provide system support for  
26

1 not less than a year after close, and Frontier may elect to take all or some of the support from  
2 Verizon after the first year.

3 24. To further ensure the transition is seamless to customers, Verizon and Frontier  
4 representatives will work together so that Frontier can ensure customer continuity including  
5 billing, customer account systems, and plant record systems.

6 25. In addition, the proposed transaction will not have any adverse impacts on  
7 wholesale service customers in Arizona. Frontier will retain all obligations under Verizon  
8 California's current interconnection agreements and other existing arrangements, in addition to  
9 the statutory obligations applicable to all ILECs.

10 26. Frontier also will continue to be managed by employees with extensive  
11 knowledge of the local telephone business and with a commitment to needs of the local  
12 community. Frontier's current and experienced group of executives, including Maggie  
13 Wilderotter, Chairman and Chief Executive Officer, Don Shassian, Chief Financial Officer and  
14 Dan McCarthy, Chief Operating Officer, will continue to lead the company following the  
15 completion of the transaction. The leadership team has a solid track record and a focus on  
16 bringing "big-city" communications services to rural markets, including a commitment to an  
17 organization that is focused on individual community needs. And, as noted above, Frontier will  
18 strengthen the local operational presence and the local operations. Frontier will assign local  
19 managers located in Arizona with day-to-day responsibility for working with and responding to  
20 local customer needs.

21 27. Frontier will continue to employ both the Frontier and the Verizon company  
22 employees that are experienced and dedicated to the provision of local services in Arizona. The  
23 customer service, network and operations functions that are critical to Frontier's success will  
24 continue after the transaction is complete. Frontier will honor the union labor agreements in the  
25 affected states and will work constructively with union leaders. Verizon will fund pensions for  
26

1 the pre-closing service of employees moving to Frontier, and Verizon will remain responsible for  
2 employees who retire from the transferred areas before closing.

3 28. Following completion of the transaction, Frontier will be able to generate  
4 improved operational performance through the deployment of its technology and processes in the  
5 acquired service areas in Arizona.

6 29. In addition, Frontier will have an even stronger balance sheet and greater cash  
7 flow generation capabilities. Most notably, this transaction will "delever" Frontier, *i.e.*, it will  
8 reduce significantly Frontier's debt-to-EBITDA ratio.<sup>7</sup> The increased financial strength is  
9 expected to improve Frontier's access to capital and lower its cost of capital, which will inure to  
10 the benefit of the Arizona operating companies and their customers.

11 30. This stronger financial structure will also allow Frontier to make greater  
12 investments in broadband infrastructure over time that are beyond the scope of Verizon's current  
13 priorities. Frontier recognizes that broadband is a catalyst for a healthy local economy and job  
14 growth, and increasing broadband deployment over time will be a business imperative for  
15 Frontier. Indeed, broadband is a key component of Frontier's business case for serving rural  
16 areas, both to provide an additional source of revenues and to limit the rate of line losses going  
17 forward. In its rural areas, Verizon has recently been averaging over 10% access line loss per  
18 year. To compete, and to retain the customers it proposes to acquire, Frontier must be able to  
19 offer customers modern broadband services. Frontier has determined that portions of the areas it  
20 is proposing to acquire from Verizon are not served or are underserved by any terrestrial  
21 broadband service. Therefore, bringing broadband service to such unserved areas is a substantial  
22 business opportunity for Frontier, and a significant benefit to customers who do not have a  
23 wireline alternative today. Indeed, Frontier's focus on deploying broadband widely in its rural  
24

25 \_\_\_\_\_  
26 <sup>7</sup> Currently, Frontier's net leverage is approximately 3.8 x EBITDA; after the transaction, its net leverage will be  
reduced to 2.6 x EBITDA. (EBITDA is earnings before interest, taxes, depreciation, and amortization.)

1 service areas is reflected in its track record. Frontier has achieved, over a period of time, the  
2 deployment of broadband service to more than 90% of the households in its service areas.

3 31. The proposed transaction is occurring at a critical time, as the National  
4 Telecommunications and Information Administration and Rural Utility Service are both working  
5 to implement the broadband provisions of the American Reinvestment and Recovery Act of 2009.  
6 Obviously, Frontier, like all private telecommunications providers, must await the final rules for  
7 those programs in order to determine whether it can seek "stimulus" funding; however, it would  
8 benefit the consumers in the acquired areas for this transfer to be approved as soon as possible to  
9 provide Frontier with the opportunity to participate in that program with respect to the acquired  
10 properties on the same basis as its other properties and those of other providers. For this reason,  
11 the parties request that the Commission grant the approvals requested herein on an expedited  
12 basis.

13 32. In summary, Frontier and its operating companies are dedicated to providing  
14 high quality service at reasonable rates and have significant experience in serving rural and  
15 smaller communities. The residential and business consumers in the areas to be acquired by  
16 Frontier will become the key strategic focus for the company. Frontier will enhance its local  
17 presence in the communities it serves and will work to ensure that it provides enhanced services  
18 and customer experiences after the transaction occurs. The transaction will also bolster Frontier's  
19 financial strength and enable it to expand broadband and other service offerings in Arizona. The  
20 Commission, therefore, should conclude that the transaction is in the public interest.

21 33. Finally, to the extent required, the parties request that the Commission approve  
22 the transaction pursuant to the Affiliated Interests Rules. Under these Rules, the Commission  
23 may reject a reorganization if it determines that it "would impair the financial status of the public  
24 utility, otherwise prevent it from attracting capital at fair and reasonable terms, or impair the  
25 ability of the public utility to provide safe, reasonable and adequate service." This transaction  
26

1 does not "impair" any of the affected companies for the same reasons the transaction is in the  
2 public interest under A.R.S. § 40-285.

3  
4 **III. SERVICE ADDRESSES**

5 Notices and other pleadings in connection with this Joint Application should be served on  
6 counsel undersigned and the Joint Applicants as follows:

7 For Frontier:

8 Ken Mason  
9 Vice President Government & Regulatory Affairs  
10 Frontier Communications  
11 180 South Clinton Ave., 5<sup>th</sup> Floor  
12 Rochester, NY 14646

13 and

14 Kevin Saville  
15 Associate General Counsel  
16 Frontier Communications  
17 2378 Wilshire Blvd.  
18 Mound, MN 55364  
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20 For Verizon:

21 Charles H. Carrathers, III  
22 General Counsel  
23 Verizon  
24 South Central Region  
25 600 Hidden Ridge, HQE03H52  
26 P.O. Box 152092  
Irving, TX 75015-2092

and

Kurt R. Rasmussen  
Verizon  
Vice President - Regulatory Affairs  
711 Van Ness Avenue, Suite 300  
San Francisco, CA 94102

1           **IV.           RELIEF REQUESTED**

2           34.   At the completion of the transaction, Verizon California no longer will conduct  
3   business in Arizona; therefore, it respectfully requests the Commission to transfer its CCN to  
4   NewILEC, or alternatively, issue a new CCN to ILEC pursuant to A.R.S. § 40-281 *et seq.*  
5   Because the transaction includes payphone assets, Verizon California also requests that the  
6   Commission transfer its separate payphone CCN to NewILEC, or alternatively, issue a new CCN  
7   to ILEC pursuant to A.R.S. § 40-281 *et seq.*.

8           35.   NewLD also requests a CCN to provide competitive interLATA/intraLATA  
9   resold telecommunications (except local exchange services). This will enable NewLD to conduct  
10   the long distance business transferred to it by VLD and VES. VLD and VES will continue to  
11   provide some long distance telecommunications services in Arizona, and therefore will maintain  
12   their CCNs.<sup>8</sup>

13          36.   As noted above, the parties seek a waiver of the Commission's Slamming Rules  
14   to allow for the transfer of customers from VLD and VES to NewLD.

15          37.   NewILEC requests that the Commission allow it to adopt the existing tariffs of  
16   Verizon California, and NewLD requests that the Commission allow it to adopt the existing tariffs  
17   of VLD and VES.

18          38.   NewILEC also requests that it be designated an Eligible  
19   Telecommunications Carrier ("ETC") under Section 214 of the Telecommunications Act of 1934  
20   as amended, because any carrier seeking universal service funding must be designated as such by  
21   the state commission. Verizon California has been so designated for the wire centers being  
22   acquired by NewILEC. Given that NewILEC will provide the same services as Verizon

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25   

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<sup>8</sup> VLD and VES currently have applications pending at the Commission in Dockets T-03289A-08-0593 and T-  
26   03198A-08-0594 to discontinue presubscribed long distance services in Arizona. VLD and VES will amend those  
  applications to make clear that they no longer apply to the long distance customers that will be transferred to and  
  served by NewLD.

1 California after the proposed transaction closes, it requests the Commission grant it the same ETC  
2 status that Verizon California possessed prior to the transaction.

3 39. As noted above, if the Commission concludes that this transaction triggers the  
4 Affiliated Interests Rules, the parties request that the Commission grant all necessary approvals or  
5 waivers under the Rules.

6 40. The parties further request that the Commission approve the transfer of assets  
7 under this Transaction pursuant to A.R.S. § 40-285 and take such other measures and provide any  
8 additional approvals as the Commission may deem necessary to allow the parties to complete the  
9 transaction described in this Joint Application.

10 41. The parties respectfully request that the Commission approve the transaction no  
11 later than 120 days after the submission of this Joint Application.

12 RESPECTFULLY SUBMITTED this 29th day of May, 2009.

13 LEWIS AND ROCA

14 

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25 Attorneys for Frontier Communications  
26



1 ORIGINAL and thirteen (13) copies  
2 of the foregoing filed this 29<sup>th</sup> day of May, 2009, with:

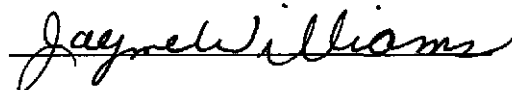
3 Arizona Corporation Commission  
4 Docket Control – Utilities Division  
5 1200 W. Washington Street  
6 Phoenix, Arizona 85007

7 COPY of the foregoing hand-delivered  
8 or sent by email this 29<sup>th</sup> day of May, 2009, to:

9 Lyn Farmer  
10 Chief Administrative Law Judge  
11 Arizona Corporation Commission  
12 1200 West Washington Street  
13 Phoenix, AZ 85007

14 Janice Alward, Chief Legal Counsel  
15 Legal Division  
16 ARIZONA CORPORATION COMMISSION  
17 1200 West Washington Street  
18 Phoenix, Arizona 85007

19 Ernest Johnson, Director  
20 Utilities Division  
21 ARIZONA CORPORATION COMMISSION  
22 1200 West Washington Street  
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25  
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## **EXHIBIT 1**

**Corporate Structure Pre- and Post-Merger**

The following slides illustrate the Frontier Communications Corporation and Verizon Communications Inc. corporate structure for the affected incumbent local exchange companies (ILECs) and long distance service companies pre- and post-merger.

**Slide 1** (page 2 of 5) shows the current Verizon structure for the Verizon entities involved in this transaction. All the affected Verizon ILECs (except Verizon West Virginia Inc.) are subsidiaries of GTE Corporation, which is a subsidiary of Verizon Communications Inc. Verizon West Virginia Inc. is a direct subsidiary of Verizon Communications Inc. New Communications Holdings Inc. (NCH) is a newly created Delaware corporation, formed for purposes of this transaction, and that currently is a direct subsidiary of Verizon Communications Inc.

**Slide 2** (page 3 of 5) shows the Verizon structure after the ILECs are transferred to NCH. NCH has two subsidiaries: New Communications ILEC Holdings Inc., and New Communications Online and Long Distance Inc. The affected Verizon ILECs will be moved from GTE Corporation (or, in the case of Verizon West Virginia Inc., from Verizon Communications Inc.) to New Communications ILEC Holdings Inc. Certain non-ILEC assets, including the accounts receivables, liabilities, and customer relationships related to the long distance operations being transferred to Frontier, will be moved to New Communications Online and Long Distance Inc.

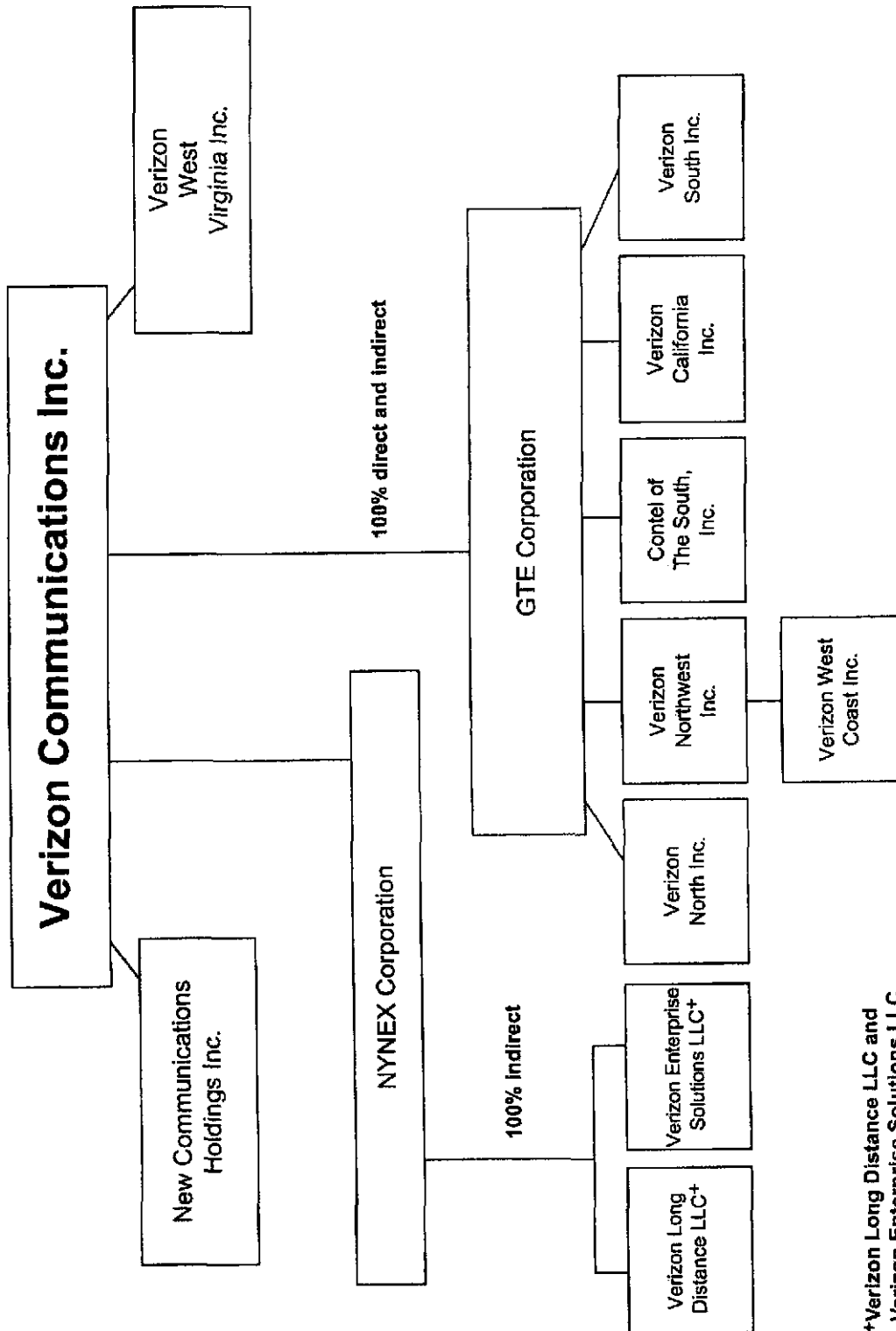
Slide 2 also shows two newly created ILEC subsidiaries of New Communications ILEC Holdings Inc.: New Communications of the Southwest Inc., and New Communications of the Carolinas Inc. New Communications of the Southwest Inc. will hold the assets of Verizon California Inc. that serve Arizona, Nevada, and those portions of California bordering Arizona and Nevada that are being transferred to Frontier. New Communications of the Carolinas Inc. will hold the assets of Verizon South Inc. that serve North Carolina, South Carolina, and a portion of Illinois. (Verizon California Inc. and Verizon South Inc. serve other areas not included in the transaction, and therefore Verizon will retain these companies.)

Slide 2 also shows a new ILEC subsidiary of GTE Corporation: Verizon North Retain Co. When created, this company will hold the assets of Verizon North Inc. that currently serve portions of Pennsylvania. These Pennsylvania assets will not be transferred to Frontier; Verizon will retain them.

**Slide 3** (page 4 of 5) shows the distribution of NCH to Verizon's shareholders.

**Slide 4** (page 5 of 5) shows Frontier Communications' corporate structure after NCH has been merged into it. Ownership and control of the existing Frontier ILECs and Frontier Communications of America, Inc. will not change as a result of the transaction.

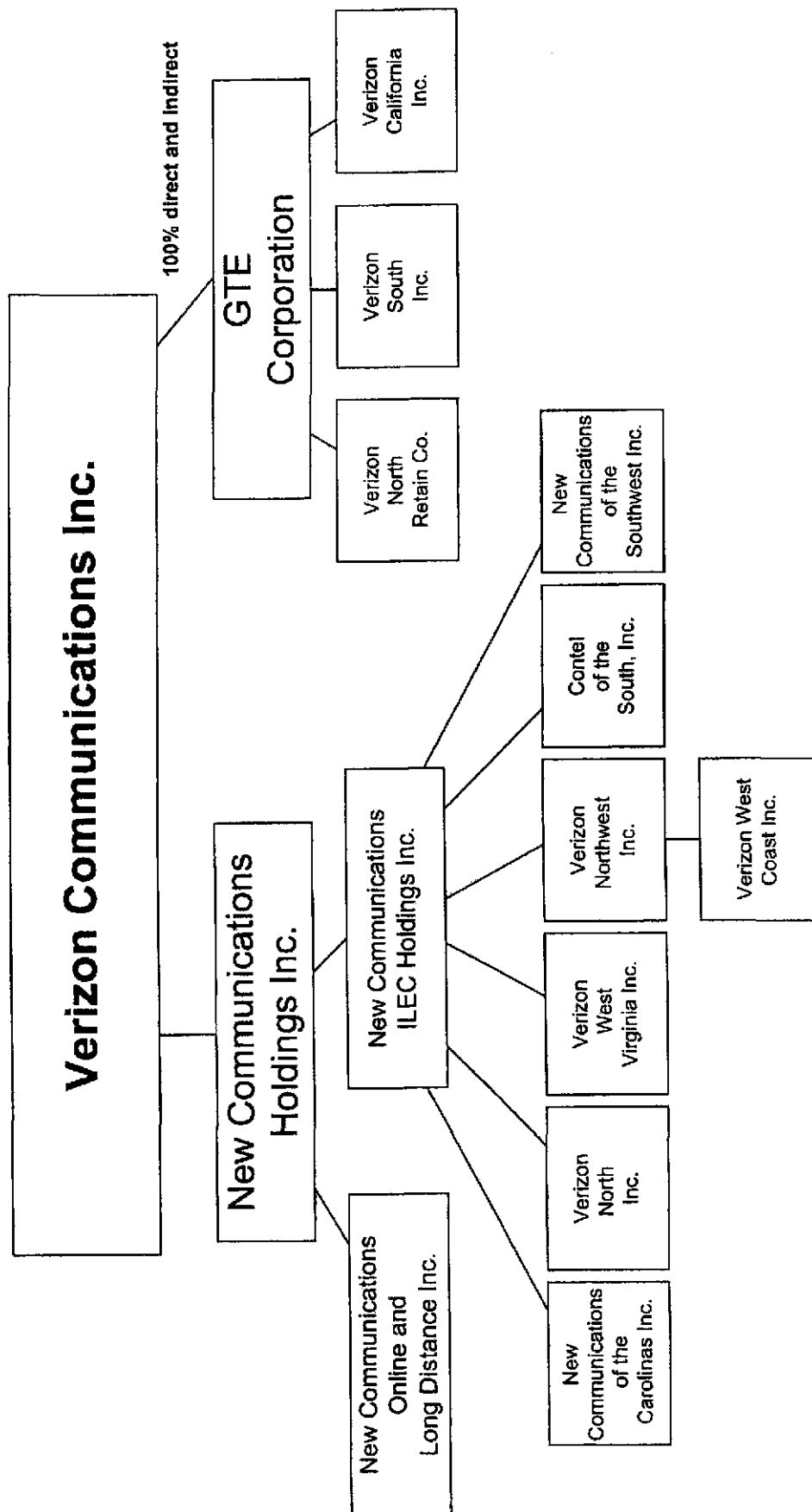
# Current Verizon Structure



+Verizon Long Distance LLC and Verizon Enterprise Solutions LLC are only assigning some customer relationships.

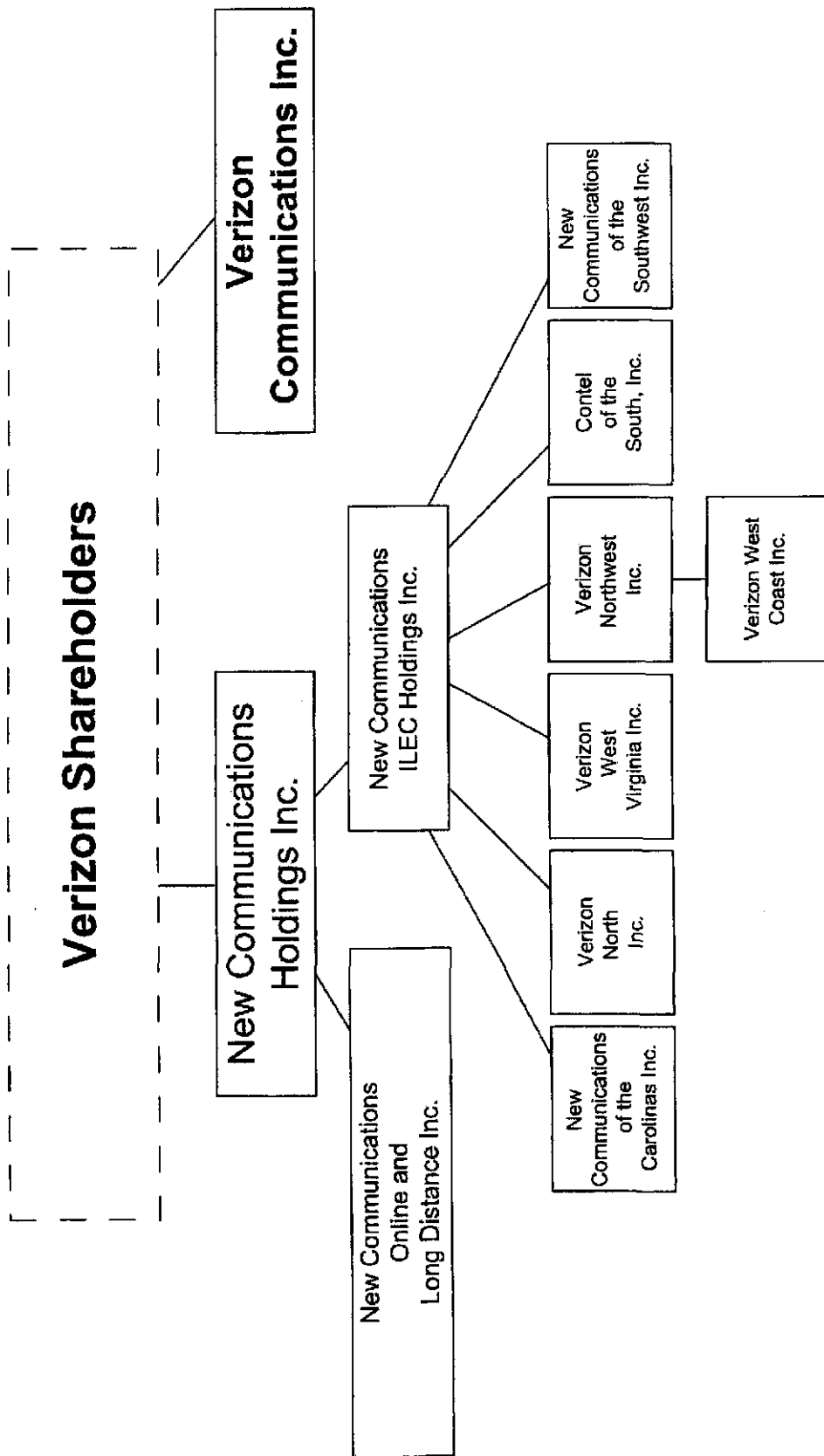
\*All interests are direct 100%  
Interests unless otherwise indicated.

# Verizon Structure After Internal Reorganization



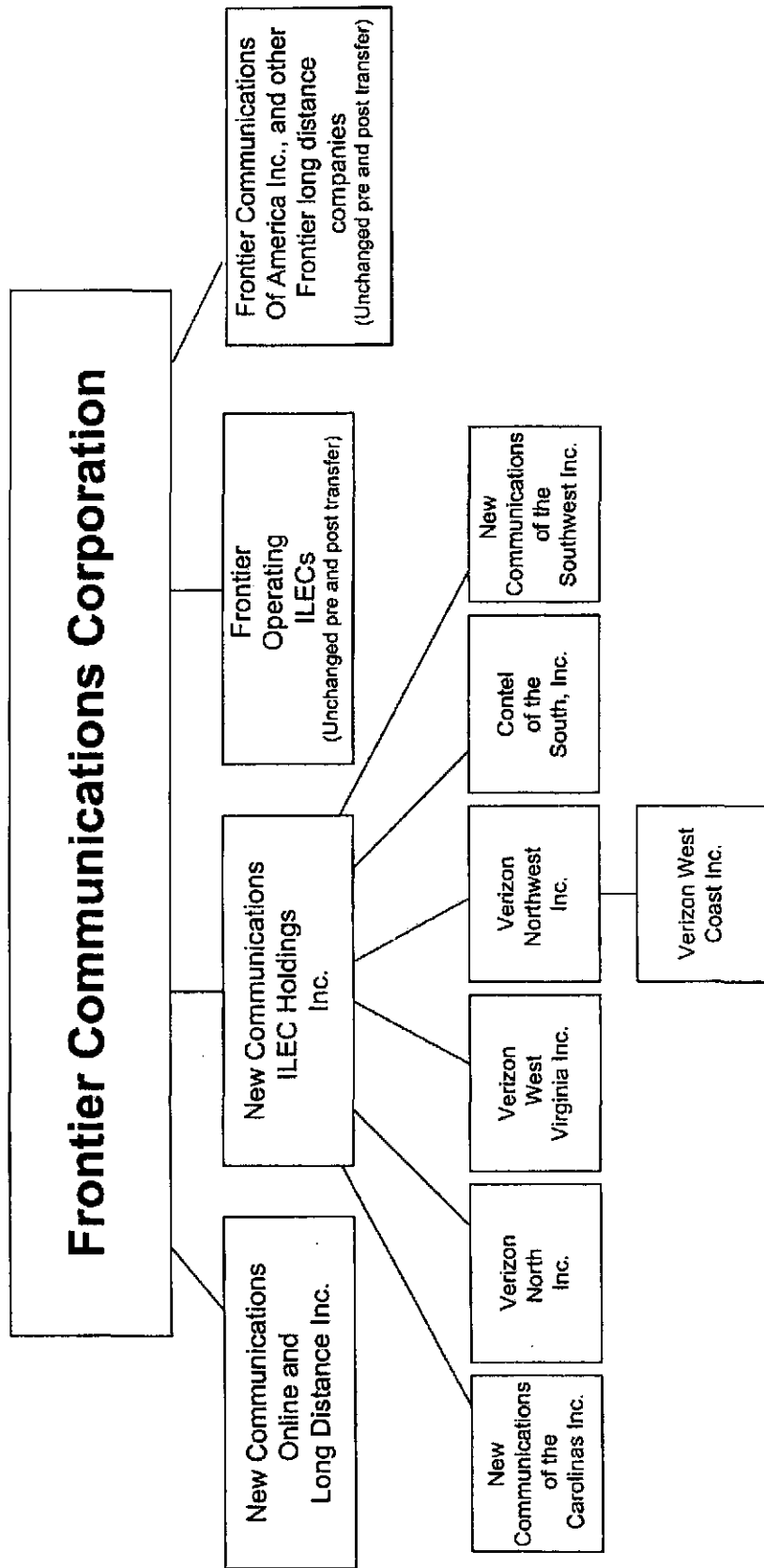
\*All interests are direct 100%  
Interests unless otherwise indicated.

## Spin-off to Verizon Shareowners



\*All interests are direct 100%  
Interests unless otherwise indicated.

# Frontier Structure After Transaction



\*All interests are direct 100% interests unless otherwise indicated.